

Disclosure exemptions under FRS 102 for members of groups - Reduced disclosure for subsidiaries and ultimate parents

Introduction

FRS 102 allows certain disclosure exemptions to be applied in the individual accounts of the parent company and subsidiary companies where group accounts are prepared. Further details are given below:

Specified disclosure exemptions can be applied, subject to provisos to:

1. Each subsidiary
2. The parent company's own accounts

The provisos are:

1. Each entity notifies its shareholders in writing as to which exemptions it plans to use and give a reasonable timeframe for them to object (this needs to be done only once and is not an annual process);
2. Those shareholders do not object (objections may be served on the entity by a shareholder that is the immediate parent of the entity, or by a shareholder or shareholders holding in aggregate 5 percent or more of the total allotted shares in the entity or more than half of the allotted shares in the entity that are not held by the immediate parent);
3. Each entity's financial statements provide a brief narrative summary of the exemptions taken, the name of the parent company preparing group accounts and from where those group accounts may be obtained.

The shareholders to be notified are:

1. For wholly-owned subsidiaries, the immediate parent company;
2. For partly-owned subsidiaries, the immediate parent plus any other shareholders;
3. For the parent company wishing to take the exemptions in its own financial statements, its own shareholders.

The exemptions available are:

Exemption	Additional Conditions
Reconciliation of number of shares outstanding at the beginning and end of the period	None
Cash flow statement and related notes	None
Certain disclosure requirements in relation to basic and non-basic financial instruments	Equivalent disclosures must be given in the consolidated accounts
Certain disclosure requirements in relation to share based payment	For a subsidiary the share-based payment arrangement must concern equity instruments of another group company; For the parent, the share-based payment concerns its own equity instruments and it presents its own accounts alongside the group accounts. In both instances equivalent disclosures must be made in the group accounts. Note: individual entities must still disclose a description of the scheme, general terms and conditions, vesting arrangements and the basis on which any allocation of group share-based payment is made, where the option for a reasonable allocation is taken up.
Total compensation of key management personnel	None

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